

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 195**

April 8, 2015

**SUMMARY OF BILL:** Increases, from five percent to seven percent, the maximum hotel occupancy tax rate, that a home rule municipality is authorized to impose.

**ESTIMATED FISCAL IMPACT:**

**Increase Local Revenue – Exceeds \$519,200/Permissive**

Assumptions:

- According to the Municipal Technical Advisory Service, there are 14 home rule municipalities in the state, of which 8 currently impose a hotel occupancy tax. The average tax rate is estimated to be 3.25 percent.
- Of those municipalities, only three are estimated to currently impose the maximum tax rate: Johnson City, Memphis, and Oak Ridge.
- Based on recent attempts by Johnson City officials to increase the hotel occupancy tax rate, it is assumed that, at a minimum, Johnson City will elect to increase its hotel occupancy tax rate from five to seven percent upon passage of this bill.
- Johnson City's FY14-15 budget shows that projected hotel occupancy tax collections are \$1,285,000 for FY13-14; the budgeted amount for FY14-15 is \$1,298,000.
- The permissive recurring increase in local government revenue is therefore estimated to exceed \$519,200  $[(\$1,298,000 / 5.0\%) \times 2.0\%]$ .

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink, reading "Jeffrey L. Spalding".

Jeffrey L. Spalding, Executive Director

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